

Message Text

LIMITED OFFICIAL USE

PAGE 01 BRASIL 03993 182117Z
ACTION EB-08

INFO OCT-01 ARA-10 IO-13 ISO-00 STRE-00 SSO-00 NSCE-00
ICAE-00 INRE-00 AGRE-00 CEA-01 CIAE-00 COME-00
DODE-00 FRB-03 H-01 INR-10 INT-05 L-03 LAB-04
NSAE-00 PA-01 CTME-00 AID-05 SS-15 STR-07 ITC-01
TRSE-00 SP-02 SOE-02 OMB-01 DOE-15 /108 W
-----022120 182128Z /62

O 181926Z MAY 78
FM AMEMBASSY BRASILIA
TO SECSTATE WASHDC IMMEDIATE 7580
INFO USMISSION GENEVA
AMCONSUL RIO DE JANEIRO
AMCONSUL SAO PAULO

LIMITED OFFICIAL USE BRASILIA 3993

PASS STR ELECTRONICALLY
PASS TREASURY
GENEVA FOR MTN

EO 11652: N/A
TAGS: ETRD, MTN, BR
SUBJ: BOP CONSULTATIONS FOR BRAZIL

REF: A. STATE 112657, B. GENEVA 7343, C. BRASILIA 3905,
D. MEXICO 7899, E. BRASILIA 3920

1. SUMMARY. EMBASSY HAS NOTED WASHINGTON'S AND GENEVA'S
OBSERVATIONS CONCERNING US EFFORTS IN FAVOR OF FULL BOP
CONSULTATIONS. WHILE BRAZIL'S CONTINUED EXTENSIVE USE OF
RESTRICTIVE TRADE MEASURES WOULD WARRANT A FULL CONSULTATION,
EMBASSY BELIEVES THAT WASHINGTON AGENCIES WILL WISH TO TAKE
INTO ACCOUNT CERTAIN TACTICAL AND SUBSTANTIVE CONSIDERATIONS
IN DECIDING ON HOW TO PROCEED AND THAT THESE CONSIDERATIONS ARE
ALSO IMPORTANT FOR BRAZILIAN RECEPTIVITY TO AND PERCEPTION OF
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 BRASIL 03993 182117Z

SUCH CONSULTATIONS. IF THE US DECIDES TO MOVE AHEAD WITH FULL BOP
CONSULTATIONS AT THIS TIME, WE SUGGEST THAT USG AVOID THE IMPRESSION
THAT THESE CONSULTATIONS ARE A US-BRAZIL BILATERAL ISSUE BY
OBTAINING ASSOCIATION WITH REQUEST FROM OTHER DC DELEGATIONS AND
BY SCHEDULING FULL BOP CONSULTATIONS FOR OTHER SELECTED LDC'S.
ON THE QUESTION OF TIMING OF CONSULTATIONS, THE EXPECTED
DETERIORATION OF BRAZIL'S TRADE ACCOUNT THIS YEAR, AFTER LAST

YEAR'S IMPROVEMENT, AND BRAZIL'S HIGH LEVEL OF FOREIGN DEBT AND DEBT SERVICE RATIO WILL ALLOW THE BRAZILIAN DELEGATION TO MAKE A STRONG CASE FOR CONTINUED RESTRAINT. EMBASSY THUS IS IN GENERAL AGREEMENT WITH GENEVA'S ASSESSMENT AND COMMENTS. END SUMMARY.

2. AT THIS TIME, IN VIEW OF THE RECENT CONSULTATIONS ON TRADE AND VARIOUS OTHER OUTSTANDING BILATERAL ISSUES, THE BRAZILIAN PRESS AND PUBLIC ARE AVIDLY LOODING FOR SIGNS OF POSSIBLE US-BRAZIL CONFRONTATION, PARTICULARLY IN THE TRADE AREA. THE GOB IS SENSITIVE TO THIS PUBLIC PERCEPTION (AS THE GEISEL ADMINISTRATION HAS BASED ITS FOREIGN POLICY ON GREATER INDEPENDENCE ON THE US) AND WILL REACT WITH PARTICULAR STRENGTH ON HIGHLY PUBLICIZED ISSUES AND EVENTS. A CASE IN POINT WAS THE RECENT BRAZILIAN PRESS MIS REPRESENTATION OF ASSISTANT SECRETARY BERGSTEN'S SPEECH IN NEW YORK AND THE INITIAL NEGATIVE PUBLIC REACTION BY GOB OFFICIALS (REF E). FOR THESE REASONSN WE AGREE WITH THE POINT IN REF A THAT IF THE US DECIDES TO PROCEED WIT FULL BOP CONSULTATIONS AT THIS TIME, IT WOULD BE HELPFUL TO PROCEED SIMULTANEOUSLY WITH SUCH CONSULTATIONS FOR OTHER SELECTED LDC'S SO THAT BRAZIL CANNOT CLAIM TO BEING SINGLED OUT. WE ALSO FEEL THAT ASSOCIATION WITH THE REQUEST FOR CONSULTATIONS BY OTHER DEVELOPED COUNTRY DELEGATIONS WOULD BE HIGHLY DESIRABLE TO AVOID CHARACTERIZATION OF THE CONSULTATION, WHICH WOULD TEND TO REDUCE THE FLEXIBILITY OF THE BRAZILIAN POSITION ON THIS AND OTHER TRADE ISSUES.

3. IN REGARD TO THE TIME ING OF THE CONSULTATIONS, RELEVANT LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 BRASIL 03993 182117Z

CONSIDERATIONS, IT SEEMS TO US, ARE: 'A) AS NOTED BY GENEVA, BRAZIL WOULD SEEM TO HAVE A CASE FOR CONTINUED RESTRAINT KREF A, PARA 2). CURRENT ESTIMATES FORECAST A \$1.5 BILLION REDUCTION IN BRAZIL'S AGRICULTURAL EXPORTS THIS YEAR, AND A \$400 MILLION INCREASE IN REQUIRED IMPORTS (REF B). THUS, THE BEST ESTIMATE AT THIS TIME IS FOR A DETERIORATION IN BRAZIL'S TRADE ACCOUNT THIS YEAR, EVEN THOUGH THE GOB STILL HOPES TO COMPENSATE FOR THE ADVERSE DEVELOPMENT IN THE AGRICULTURAL SECTOR WITH AN EXCEPTIONALLY STRING PERFORMANCE IN MANUFACTURED EXPORTS.

(B) THE GOB'S THESIS ON BRAZIL'S EXTERNAL DEBT ALSO SEEMS TO US TO HAVE SOME MERIT. BRAZIL'S CREDIT REMAINS HIGH, BUT BRAZIL MUST BRING THE RAPID GROWTH OF ITS TOTAL INDEBTEDNESS (IN RELATION TO EXPORTS) UNDER CONTROL TO AVOID ULTIMATE IMPAIRMENT OF ITS CREDIT STANDING. BRAZIL, IN THE LAST SEVERAL YEARS, HAS ACQUIRED A SUBSTANTIAL STRUCTURAL DEFICIT ON SERVICES (I.E. INTEREST ON THE INDEBTEDNESS ACCUMULATED SINCE 1973); THUS BRAZIL MUST ESTABLISH A SUBSTANTIAL TRADE SURPLUS TO AVOID FURTHER DETERIORATION OF ITS DEB RATIOS.

4. OUR THOUGHT IS ALSO THAT A HARD US STANCE ON THE BOP ISSUE IS UNLIKELY TO FOSTER A MORE FORTHCOMING BRAZILIAN ATTITUDE ON MTN ISSUES (SEE GENEVA'S VIEWS - REFTEL A). THUS THERE MIGHT

BE MERIT IN DEFERRING FURTHER ACTION UNTIL WE SEE HOW US-
BRAZILIAN DISCUSSIONS ON THE MTN DEVELOP IN THE NEXT TWO
MONTHS.
JOHNSON

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: POLICIES, TRADE AGREEMENTS, NEGOTIATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 18 may 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978BRASIL03993
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780210-0286
Format: TEL
From: BRASILIA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780546/aaaabmye.tel
Line Count: 120
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: dbd5309b-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 STATE 112657, 78 GENEVA 7343, 78 BRASILIA 3905, 78 MEXICO 7899, 78 BRASILIA 3920
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2655855
Secure: OPEN
Status: NATIVE
Subject: BOP CONSULTATIONS FOR BRAZIL
TAGS: ETRD, BR, US, MTN
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/dbd5309b-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014